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**From:**

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Under current law, a merger otherwise qualifying as tax-free is not disqualified because one of the corporations is insolvent. See Norman Scott, Inc. v. Commissioner, 48 T.C. 598 (1967), acquiescence in result only, 1967 AOD LEXIS 104. However, the value of stock received that is in excess of the value of stock surrendered is treated as received separately from the reorganization and taxed accordingly, e.g., as compensation, a gift, a payment to satisfy an obligation, an inducement to enter into the transaction or for whatever purpose the facts indicate. See, e.g., Rev. Rul. 74-269, 1974-1 C.B. 87.